REPORT OF

COUNTY EMPLOYEES' RETIREMENT FUND

DECEMBER 31, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County Employees' Retirement Fund

We have audited the accompanying statements of plan net assets of the County Employees' Retirement Fund as of December 31, 2004, and 2003, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of County Employees' Retirement Fund as of December 31, 2004 and 2003, and the changes in plan net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 16 - 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams-Keepers LLC

March 25, 2005

COUNTY EMPLOYEES' RETIREMENT FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the County Employees' Retirement Fund's (CERF) financial performance provides an introduction to the financial statements of CERF for the years ended December 31, 2004 and 2003. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the financial statements.

Required Financial Statements

CERF, a public employees retirement plan, prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of CERF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets. This statement measures CERF's success over the past year in increasing the net assets available for pension benefits.

Financial Analysis of CERF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of CERF. That additional factor is the plan's funded status. In 2004, additions to net assets of $40,397,551 exceeded deductions of $12,251,370 by $28,146,181. This net increase brought the Plan's net asset base to $178,497,546. For actuarial calculations, CERF's actuary uses the market value of assets as of the end of a plan year to determine the actuarial value of assets. For the January 1, 2005, valuation, the actuarial value of assets was $178,497,546. The aggregate actuarial liability for CERF was $254,374,828. The plan is not 100% funded at present, as it is a relatively new plan created by legislation in August, 1994 and the CERF plan granted past service credit. Our funded position has steadily improved since inception and the actuary expects it to continue to improve. On an actuarial basis, the assets held currently fund 70% of this liability. This is an increase from the funding ratio of 67% for 2003. If a ratio of the actuarial value of assets to the actuarial present value of accrued benefits is used, the funding ratio increases from 78% as of January 1, 2004, to 82% as of January 1, 2005.

Plan Net Assets

To begin the financial analysis, a summary of CERF's Plan Net Assets is as follows:

Condensed Statements of Plan Net Assets
(in $000's)

	2004	2003	Dollar Change	Percent Change
Cash and cash equivalents	$ 63	$ 36	$ 27	75 %
Receivables	3,221	3,332	(111)	(3)
Investments	174,333	146,356	27,977	19
Capital assets, net	2,802	1,807	995	55
Total assets	180,419	151,531	28,888	19
Liabilities	1,921	1,180	741	63
Total plan net assets	$ 178,498	$ 150,351	$ 28,147	19 %

As the above table shows, plan net assets increased by $28,147,000, or 19%, in 2004. This increase reflects the considerable investment gains experienced in 2004.

The following table presents the investment allocation for 2004 and 2003, and CERF's new target allocation, adjusted in 2004 to include equity long/short and real estate:

	2004	2003	Target
Bonds	27.8%	36.0%	30.0%
U. S. Equities	44.2%	45.8%	42.5%
International Equities	14.8%	14.5%	12.5%
Equity Long/Short	9.1%	0.0%	10.0%
Real Estate	0.0%	0.0%	5.0%
Cash	4.2%	3.7%	*

* The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

The change from 2003 to 2004 in the weightings between fixed income and stocks is primarily due to the poor bond return and positive stock return in 2004 which reduced the absolute value of CERF's bond holdings and its relationship to stocks. Also, the new asset allocation targets established in 2004 decreased the target allocation to bonds.

The land for CERF's new administrative office building was acquired in 2003, and construction began in 2004. As of the end of the year, construction costs totaled approximately $1.2 million. Final construction costs, not including land, will be approximately $3.1 million.

Condensed Statements of Plan Net Assets
(in $000's)

	2003	2002	Dollar Change	Percent Change
Cash and cash equivalents	$ 36	$ 31	$ 5	$ 16 %
Receivables	3,332	3,165	167	5
Investments	146,356	109,867	36,489	33
Fixed assets, net	1,807	970	837	86
Total assets	151,531	114,033	37,468	33
Liabilities	1,180	1,002	178	18
Total plan net assets	$ 150,351	$ 113,031	$ 37,320	$ 33 %

As the above table shows, plan net assets increased by $37,320,000, or 33%, in 2003. This increase reflects the significant investment gains experienced in 2003.

The following table presents the investment allocation for 2003 and 2002, and CERF's target allocation for 2003:

	2003	2002	2003 Target
Bonds	36.0%	42.3%	40.0%
U. S. Equities	45.8%	42.4%	48.0%
International Equities	14.5%	11.9%	12.0%
Cash	3.7%	3.4%	*

* The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

The change from 2002 to 2003 in the weightings between fixed income and stocks is primarily due to the poor bond return and positive stock return in 2003, which reduced the absolute value of CERF's bond holdings and its relationship to stocks.

Condensed Statements of Changes in Plan Net Assets
(in $000's)

	2004	2003	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties	$ 18,643	$ 19,826	$ (1,183)	(6) %
Member, regular	3,893	2,879	1,014	35
Members, purchase of prior service	95	45	50	111
Total contributions	22,631	22,750	(119)	(1)
Net investment income	17,767	25,461	(7,694)	(30)
Total additions	40,398	48,211	(7,813)	(16) %

	2004	2003	Dollar Change	Percent Change
Deductions:				
Benefits	$ 8,777	$ 7,774	$ 1,003	13 %
Refunds	660	382	278	73
Defined contribution plan match	864	823	41	5
Administrative expenses	1,951	1,912	39	2
Total deductions	12,252	10,891	1,361	12
Net increase in plan net assets	$ 28,146	$ 37,320	$ (9,174)	(24) %

Condensed Statements of Changes in Plan Net Assets
(in $000's)

	2003	2002	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties	$ 19,826	$ 17,035	$ 2,791	16 %
Member, regular	2,879	1,519	1,360	90
Members, purchase of prior service	45	156	(111)	(71)
Total contributions	22,750	18,710	4,040	22
Net investment income	25,461	(10,465)	35,926	343
Total additions	48,211	8,245	39,967	485 %
Deductions:				
Benefits	$ 7,774	$ 6,499	$ 1,275	20 %
Refunds	382	234	148	63
Defined contribution plan match	823	830	(7)	-
Administrative expenses	1,912	1,576	336	21
Total deductions	10,891	9,138	1,752	19
Net increase (decrease) in plan net assets	$ 37,320	$ (893)	$ 38,213	4,279 %

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2004 totaled $22,630,667 which was less than 1% below those received in 2003. Contributions for 2003 totaled $22,750,519 which was 22% above those received in 2002. Legislation effective January 1, 2003, imposed an additional 4% contribution rate for employees hired after February 24, 2002. As a result, whereas LAGERS employees previously made no contributions to CERF, these new hires are now subject to a 4% contribution; and whereas non-LAGERS employees were previously making a 2% contribution, they are now subject to a 6% contribution. Because this 4% additional contribution could be employer or employee paid, this resulted in an increase in both county and member contributions. Because of the legislation which took effect in 2003, as new employees continue to replace employees hired prior to February 25, 2002, employee contributions are expected to continue to rise.

The $7,693,664 decrease in net investment income in 2004, as compared to 2003, is attributable to the leveling out of the markets from their upsurge in 2003. Consequently, the total return for the portfolio in 2004 was 12.3%, as compared to 22.5% in 2003. CERF's Large Cap U.S. Equities returned 14.1%, as compared to 10.9% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned 16.5%, as compared to 18.3% for the Russell 2500 Index. The fixed income portfolio returned 4.4%, as compared to 4.3% for the Lehman Brothers Aggregate Index. Our international stock portfolio returned 26.7%, as compared to 20.7% for the MSCI EAFE Index. Beginning September 1, 2004, CERF added an Equity Long/Short position to its portfolio. For the fourth quarter (which was the first full quarter this strategy was in place) the Equity Long/Short investment returned 4.4%, as compared to 5.7% for the HFRI Equity Hedge Index.

The $35,925,848 increase in net investment income in 2003 as compared to 2002 is attributable to CERF's bouncing back from a negative return on investments in 2002 to a welcomed upsurge in the 2003 market. The total rate of return for the portfolio in 2003 was 22.5% as compared to a negative 8.3% in 2002. CERF's Large Cap U.S. Equities returned 29.7% as compared to 28.7% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned 34.4% as compared to 45.5% for the Russell 2500 Index. The fixed income portfolio returned 6.0% as compared to 4.1% for the Lehman Brothers Aggregate Index. Our international stock portfolio returned 50.4% as compared to 39.2% for the MSCI EAFE Index.

When comparing returns it is important to remember that as a fairly new pension fund, created by legislation in August 1994, CERF's investment program has a very long time horizon. Some of the longer-term results for the total fund are:

Period	Annualized Returns	Benchmark	Median Fund
One year	12.3%	8.6%	11.1%
Three years	8.0%	4.8%	7.1%
Five Years	6.3%	1.5%	4.3%
Ten Years	11.2%	10.9%	10.2%

Deductions

The expenses paid by CERF include benefit payments, refunds, and administrative expenses. Expenses for 2004 totaled $12,251,370, an increase of $1,360,338 over 2003. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 1,806 in 2004 from 1,670 in 2003, as well as an increase in the amount of the average benefit. The $277,346 increase in refunds in 2004 is primarily due to the refunding of larger amounts of contributions being made by employees hired after February 24, 2002 as the employees terminate, non-vested.

Expenses for 2003 totaled $10,891,032, an increase of $1,753,087 over 2002. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 1,670 in 2003 from 1,472 in 2002, as well as an increase in the amount of the average benefit. The $148,781 increase in refunds in 2003 is primarily due to refunds being issued to non-vested newly contributing LAGERS employees hired after February 24, 2002, who terminated in 2003. Prior to January 1, 2003, these employees were not making contributions to CERF.

Economic Factors Impacting 2005

CERF's estimated investment return for the three months ended March 31, 2005, is approximately -.6%. CERF's total investments as of March 31, 2005, are approximately $175,800,000.

Construction is continuing on the new administrative office building, with substantial completion for occupancy scheduled for the Spring of 2005.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF PLAN NET ASSETS
December 31, 2004 and 2003

	2004	2003
ASSETS		
Cash	$ 63,072	$ 36,662
Receivables:		
Member contributions	284,003	219,697
Member prior service contributions	151,802	152,151
County contributions	2,216,874	2,267,021
CERF administrative office	2,001	2,001
Accrued interest and dividends	565,741	691,189
Total receivables	3,220,421	3,332,059
Investments, at fair value:		
Government bonds	29,244,370	32,898,965
Foreign Bonds	947,958	744,909
Corporate bonds	20,266,845	18,658,556
Domestic stocks	77,116,877	67,242,778
International stocks	25,813,203	21,324,186
Hedge funds	15,849,000	-
Short-term investments	5,094,949	5,486,287
Total investments	174,333,202	146,355,681
Capital assets, net of accumulated depreciation of $936,971 and $709,429	2,802,067	1,806,899
Total assets	180,418,762	151,531,301
LIABILITIES		
Accounts payable	861,300	250,429
Accrued defined contribution plan contribution	864,074	835,070
Other accrued expenses	96,327	31,403
Deferred revenue	99,515	63,034
Total liabilities	1,921,216	1,179,936
Net assets held in trust for pension benefits	$ 178,497,546	$ 150,351,365

(A schedule of funding progress is presented on page 15)

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended December 31, 2004 and 2003

	2004	2003
Additions:		
Contributions:		
Counties	$ 18,643,018	$ 19,825,859
Members, regular	3,892,500	2,878,823
Members, purchase of prior service	95,149	45,837
Total contributions	22,630,667	22,750,519
Investment income:		
Net appreciation in fair value of investments	14,363,230	22,380,935
Interest	2,603,897	2,681,823
Dividends	1,783,509	1,373,201
Total investment income	18,750,636	26,435,959
Less investment expenses	983,752	975,411
Net investment income	17,766,884	25,460,548
Total additions	40,397,551	48,211,067
Deductions:		
Benefits	8,776,912	7,774,269
Refunds of member contributions	659,692	382,346
Defined contribution plan matching contribution	864,074	822,872
Administrative expense	1,950,692	1,911,545
Total deductions	12,251,370	10,891,032
Net increase	28,146,181	37,320,035
Net assets held in trust for pension benefits		
Beginning of year	150,351,365	113,031,330
End of year	$ 178,497,546	$ 150,351,365

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The County Employees' Retirement Fund financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Bonds and stocks traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Property and Equipment: Property and equipment, including computer software programs, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated lives of the assets of from three to seven years.

2. PLAN DESCRIPTION

The County Employees' Retirement Fund was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes. The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in the Fund, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

The Fund is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. The Fund covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2001, employees hired before January 1, 2001 could opt out of the system. The Fund is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of the Fund are paid out of the funds of the system.

Contributions: Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, in addition to the prior contributions requirements, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if

they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

In addition, the following fees and penalties prescribed under Missouri law are required to be collected and remitted to the Fund:

By counties covered by the fund:

* Late fees on filing of personal property tax declarations
* Twenty dollars for each merchants and manufacturers license issued
* Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded
* Three sevenths of the fee on delinquent property taxes
* Interest earned on investment of the above collections prior to remittance to the Fund

Members: The Fund members include eligible employees of 111 counties in the State of Missouri. The number of members and benefit recipients served by the system at December 31, 2004 and 2003 was:

	2004	2003
Retirees and beneficiaries receiving benefits	1,918	1,800
Terminated employees entitled to but not yet receiving benefits	1,068	1,035
Current active plan members	10,657	10,466
Total	13,643	13,301

Tax status: The Internal Revenue Service has determined and informed the Fund by letter dated January 16, 2001, that the plan as amended through May 1, 2000 is in a form acceptable under the Internal Revenue Code.

3. DEPOSITS AND INVESTMENTS

Deposits: At December 31, 2004, and 2003, the Fund's carrying amount of deposits was $63,072 and $36,662 and the bank balance was $150,798 and $148,786, respectively. The bank balance was covered by federal depository insurance and collateral held by the pledging financial institution's trust department in the Fund's name.

Investments: Funds are invested by outside managers under investment policies established by the Board of Directors. International securities investment managers are authorized to engage in forward contracts to exchange different currencies at a specific date and rate. These forward contracts could involve elements of custodial and market risk in excess of the amount recognized in the statement of plan net assets. However, there were no forward exchange contracts in effect at December 31, 2004 and 2003.

Under governmental accounting standards, investments are categorized into these three categories of custodial credit risk:

(1) Insured or registered, or securities held by the Fund or its agent in the Fund's name.
(2) Uninsured and unregistered, with securities held by the custodial agent in the Fund's name.
(3) Uninsured and unregistered, with securities held by the custodial agent but not in the Fund's name.

At December 31, 2004 and 2003, all of the Fund's categorized investments were in risk category 1.

	2004	2003
Category 1 investments:		
U.S. Government securities	$ 29,244,370	$ 32,898,965
Foreign Bonds	947,958	744,909
Corporate bonds	20,266,845	18,658,556
Domestic stocks	77,116,877	67,242,778
Short-term investments	5,094,949	5,486,287
	132,670,999	125,031,495
Investments not subject to categorization:		
International equities mutual funds	25,813,203	21,324,186
Hedge fund mutual funds	15,849,000	-
	$ 174,333,202	$ 146,355,681

No investments in any one organization (other than those issued by the U.S. government) represent five percent or more of plan net assets.

4. CAPITAL ASSETS

Capital assets consist of the following:

	January 1, 2004	Additions	Disposals	December 31, 2004
Equipment, furnishings and computer software	$ 1,521,700	$ 36,524	$ (26,247)	$ 1,531,977
Less accumulated depreciation	709,429	250,097	(22,555)	936,971
	812,271	(213,573)	(3,692)	595,006
Land	974,584	11,732	-	986,316
Building in progress	20,044	1,200,701	-	1,220,745
	$ 1,806,899	$ 998,860	$ (3,692)	$ 2,802,067

Building in progress at December 31, 2004, represents amounts incurred in connection with the engineering, design, and construction of a new administrative office building. As of December 31, 2004, the Fund has remaining contract commitments of approximately $1,831,000 related to the construction of this building.

5. PRIOR SERVICE CONTRIBUTIONS

Prior to January 1, 2000, an eligible county employee who was employed on January 1, 1990, but not employed at the Fund's inception and who had at least eight years of prior service could purchase a portion of such prior service. For those who elected to purchase such prior service, fifty percent of the dollar amount of the purchase as calculated by law is due upon retirement and the remaining amount is deducted from retirement benefit payments over a maximum period of four years.

The receivable for member prior service contributions shown on the accompanying statement of net assets represents the total amount, as of December 31, 2004 and 2003, that is due in future periods from retirees who have elected to purchase prior service.

An eligible county employee who opted out of the system prior to January 1, 2000 had the option to become a member within three months of the three year anniversary of the decision to opt out. Upon deciding to opt in

to the system such employee either purchased in total or began payroll deductions to purchase all or part of his prior creditable service plus interest over a maximum period of four years. Such amounts are recognized as contributions when received by the Fund.

6. OPERATING LEASES

The Fund leases office facilities and equipment under noncancellable operating leases. Total cost for such leases was $87,944 and $93,010 for the years ended December 31, 2004 and 2003, respectively. The Fund's annually renewable lease for office space is scheduled to expire in June 2005, just subsequent to when the new administrative office building is expected to be ready for occupancy.

The future minimum lease payments required under noncancellable operating leases with terms in excess of one year are as follows:

Year ending December 31:	Amount
2005	$ 8,160
2006	8,160
2007	8,160
2008	5,465
2009	2,610
Total	$ 32,555

7. RETIREMENT PLANS FOR FUND EMPLOYEES

All full-time employees of the Fund are eligible for participation in a defined contribution plan. The Fund contributes 6% of a participating employee's monthly gross salary to the plan. The contribution requirements of the plan are governed by the plan document, which may be amended by the Board of Directors. Employees do not contribute to the retirement plan. Employees become vested in contributions made by the Fund after 5 years of creditable service. Total contributions for the year ended December 31, 2004 and 2003 were $26,246 and $27,785, respectively.

All full-time employees are eligible for participation in an Internal Revenue Code (IRC) 457 deferred compensation plan upon their eligibility in the defined contribution plan.

8. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description: Effective January 1, 2000, the Fund also administers a defined contribution plan and an IRC Section 457 deferred compensation plan. The plans were established to provide an opportunity for members of the pension plan to have additional retirement benefits. The plans' provisions and contribution requirements are established and may be amended only by action of the Missouri Legislature. Members of the pension plan are eligible to participate.

Contributions: Pension plan members who are not members of LAGERS are required to contribute 0.7% of gross compensation to the defined contribution plan. Contributions of $621,695 and $544,949 were made during the years ended December 31, 2004 and 2003 respectively. Participation in the 457 plan is voluntary. The level of contributions to the 457 plan is elected by the employee, subject to the limitations of IRC Sections 401(a) and 457. The Fund's Board of Directors determines if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the 457 plan. The amount of any matching contribution is determined by the Board, and is limited to an

amount not needed to keep the pension plan actuarially sound. The matching contribution is also limited to 50% of a non-LAGERS member's voluntary contributions (25% for LAGERS participants) to the 457 plan, up to 3% of the non-LAGERS member's compensation (1.5% for LAGERS participants). Members vest in the matching portion of contributions allocated to their respective accounts after five years of creditable service. Matching contributions for the years ended December 31, 2004 and 2003 were $864,074 and $822,872, respectively.

Administration: Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian, respectively. Member contributions are sent directly to the third party administrator by the counties. Members can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Separate trust funds are maintained for the defined contribution and 457 plan assets. Because the Fund does not hold the plans' assets and does not have significant administrative responsibilities, the plans' assets and changes in net assets are not reported in the Fund's financial statements.

9. RISK MANAGEMENT

The Fund is exposed to various risks of loss related to natural disasters, errors and omission, loss of assets, torts, etc. The Fund has chosen to cover such losses through the purchase of commercial insurance. There have been no significant insurance claims filed or paid during the past three years.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2004

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b)-(a))/(c)
1/1/97	$ 30,150,614	$ 111,270,496	$ 81,119,882	27.1%	$ 161,510,026	50.2%
1/1/98	47,522,395	143,254,851	95,732,456	33.2%	172,931,700	55.4%
1/1/99	68,201,273	168,913,204	100,711,931	40.4%	171,194,099	58.8%
1/1/00	90,354,418	162,617,021	72,262,603	55.6%	198,289,429	36.4%
1/1/01	105,756,501	168,807,826	63,051,325	62.6%	212,227,839	29.7%
1/1/02	113,924,658	181,194,905	67,270,247	62.9%	236,175,955	28.5%
1/1/03	113,031,328	201,855,183	88,823,854	56.0%	256,619,955	34.6%
1/1/04	150,351,363	225,589,130	75,237,766	66.6%	277,155,462	27.1%
1/1/05	178,497,546	254,374,828	75,877,282	70.2%	290,944,956	26.1%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1996	$ 10,799,443	116.5%
1997	11,657,480	106.6%
1998	14,218,647	95.9%
1999	14,840,881	102.5%
2000	11,963,650	115.2%
2001	11,431,775	139.0%
2002	12,266,305	138.9%
2003	13,368,947	144.1%
2004	13,963,840	129.8%

NOTES TO THE REQUIRED SCHEDULES

Valuation Date	January 1, 2005
Actuarial Cost Method	Entry Age
Amortization Method	Level percent, closed period
Remaining Amortization Period	20 years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investments rate of return	8%
Projected salary increases	4% for the first 15 years of membership and 3% thereafter
Cost-of-living adjustments	1%

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2004 and 2003

	2004	2003
Personal services		
Staff salaries	$ 726,493	$ 678,550
Social security	52,502	50,049
Retirement	26,246	27,785
Insurance	105,554	98,306
Total personal services	910,795	854,690
Professional services		
Actuarial	150,400	174,939
Audit	32,942	43,070
Legal counsel	171,748	173,128
Legislative consultant	64,000	54,500
Plan design and implementation consultants	21,192	17,289
Real estate investment analysis	-	3,100
Total professional services	440,282	466,026
Communication		
Printing	15,566	29,066
Postage	18,311	16,554
Telephone	19,275	18,656
Total communication	53,152	64,276
Rentals		
Office space	77,183	83,679
Equipment leasing and maintenance	17,124	14,577
Total rentals	94,307	98,256
Miscellaneous		
Utilities	13,653	10,763
Board of directors expenses	21,595	27,251
Business risk insurance premiums	56,541	51,512
Staff development	56,877	50,274
Office	47,206	36,059
Depreciation	250,097	246,253
Property taxes	6,187	6,185
Total miscellaneous	452,156	428,297
Total administrative expenses	$ 1,950,692	$ 1,911,545

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF INVESTMENT EXPENSES
For the Years Ended December 31, 2004 and 2003

	2004	2003
Investment management expenses		
Domestic stocks	$ 436,680	$ 418,363
International stocks	182,844	161,126
Bonds	161,563	197,545
Total investment management expenses	781,087	777,034
Other investment expenses		
Investment consultants	81,655	71,254
Investment custodian	113,843	120,583
Bank depository	7,167	6,540
Total other investment expenses	202,665	198,377
Total investment expenses	$ 983,752	$ 975,411